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18 **ATTORNEYS FOR DEFENDANTS**

16 UNITED STATES DISTRICT COURT
17 NORTHERN DISTRICT OF CALIFORNIA
18 SAN FRANCISCO DIVISION

20 Nichia Corporation,
21 Plaintiff,
22 v.
23 Seoul Semiconductor Co., Ltd. and Seoul
24 Semiconductor, Inc.,
25 Defendants.

Case No.: 3:06-CV-0162-MMC (JCS)

JOINT PRETRIAL STATEMENT
UNDER F.R.C.P. 16.4 AND L.R. 16

Date: August 28, 2007
Time: 3:00 p.m.
Location: Courtroom 7, 19th Floor
Judge: Maxine M. Chesney

Case No.: 3:06-CV-0162-MMC (JCS)

JOINT PRETRIAL STATEMENT UNDER F.R.C.P. 16.4 AND L.R. 16

JOINT PRETRIAL STATEMENT

On August 28, 2007, at 3:00 p.m., counsel for Nichia Corporation (“Plaintiff”) and counsel for Seoul Semiconductor Co., Ltd. and Seoul Semiconductor, Inc. (“Defendants”) shall participate in a pretrial conference before this Court under Rule 16 of the Federal Rules of Civil Procedure and Local Rule 16 of this Court. The following matters as to trial of this action commencing on September 10, 2007 are hereby ordered by the Court.

I. SUBSTANCE OF THE ACTION

A. Plaintiff's Brief Statement of Its Claim

Plaintiff, Nichia Corporation, is the world's leader in the manufacture of light emitting diodes ("LEDs"), and a leader in developing new LED technologies, including the first high-brightness blue LED and white LED. Because it is the industry leader, Nichia's products are often copied. As such, Nichia relies on its patent portfolio to dissuade those who might copy its products. Although Seoul is defending this case by arguing that design patents on small LEDs are not valid, Seoul itself applied for and obtained U.S. design patents on some of its small LEDs.

Nichia introduced its 335 series LED, with the unique wing-shaped electrodes, to the market in May of 2002. Within months, Seoul began to sell its 902 series LED, a copy of Nichia's successful 335 LED. In March of 2005, after its design patents on the shape of the 335 LED began to issue, Nichia informed Seoul that the 902 LED infringed a Nichia design patent. Despite this knowledge, Seoul took no steps to avoid infringement, and continues to sell the accused 902 LEDs today.

Seoul negotiated with manufacturers of liquid crystal displays (“LCDs”), such as Samsung SDI to encourage them to specify Seoul’s 902 LEDs for use in the back light units (“BLUs”) the LCD manufacturers purchased. The LCD makers then sold LCDs containing the 902 LEDs to mobile telephone manufacturers whose mobile phones enter the U.S. At least one company, Samsung electronics Co., Ltd., manufactures both LCD modules and mobile telephones that use Seoul’s infringing 902 LEDs.

1 Seoul's sales of its 902 LEDs caused sales of Nichia's 335 LEDs to fall, and
 2 caused financial damage to Nichia. Seoul's infringement was willful, entitling Nichia to
 3 enhanced damages and attorney fees.

- 4 • Plaintiff claims that Defendants have infringed and induced infringement
 5 of United States Design Patent Nos. D491,538 ("the '538 patent"),
 6 D490,784 ("the '784 patent"), D499,385 ("the '385 patent") and D503,388
 7 ("the '388 patent") (collectively "patents-in-suit").
- 8 • Plaintiff claims that Defendants have directly infringed the patents-in-suit
 9 through sales and offers of sale of its 902 series LEDs in the United States.
- 10 • Plaintiff claims that Defendants have induced infringement of the patents-
 11 in-suit through various activities relating to the 902 series LEDs.
- 12 • Plaintiff claims that Defendants' infringement of the patents-in-suit is
 13 willful and deliberate.
- 14 • Plaintiff claims that Defendants' infringement of the patents-in-suit has
 15 caused financial damage to Nichia.
- 16 • Plaintiff claims that it is entitled to enhanced damages as a result of
 17 Defendants' willful infringement of the patents-in-suit.
- 18 • Plaintiff claims that it is entitled to a permanent injunction against future
 19 infringement, including both direct and induced infringement, of the
 20 patents-in-suit by Defendants.

21 B. Defendants' Brief Statement of Their Claims

22 Seoul Semiconductor, Co., Ltd. ("SSC") located in Seoul, South Korea, makes
 23 light emitting diode ("LED") products, including the 902 series side-view LED. Seoul
 24 Semiconductor, Inc. ("SSI") is SSC's wholly owned United States subsidiary. (SSC and SSI are
 25 collectively referred to as "Seoul").

26 At issue here are four United States design patents embodied in a product smaller
 27 than a grain of rice. The LED's allegedly ornamental features are (1) impossible to observe with
 28 the naked eye, (2) of no concern to any purchaser and (3) functional.

1 SSI has not made, used, sold, or offered for sale in the United States, or imported
 2 into the United States, any 902 series LEDs and should be dismissed from the suit.

3 SSC's 902 series LED are not substantially similar to Nichia's four design
 4 patents-in-suit, and do not appropriate the points of novelty in Nichia's patents. Therefore the
 5 902 series do not infringe Nichia's patents. SSC made only two *de minimis* sales in the United
 6 States, one for approximately \$14,000 orchestrated by Nichia and its lawyers through Nichia's
 7 agent, NanoScience Exchange, and the other for just \$165 to General Dynamics Lighting
 8 Systems (GDLS), a United States government contractor. In the context of the worldwide LED
 9 market, this is *de minimis* because it is only .00004% of Seoul's sales of all of its 902 series
 10 LEDs.

11 SSC has also not actively induced infringement. Nichia cannot show that SSC
 12 specifically intended to induce a party who directly infringed the patents-in-suit in the United
 13 States for *each* act of infringement. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1303 (Fed. Cir.
 14 2006); *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l., Inc.*, 246 F.3d 1336,
 15 1351 (Fed. Cir. 2001) (“[i]nducement only occurs if the party being induced directly infringes
 16 the patent.”).

17 SSC owns patent rights in Korea covering its 902 series LEDs. Nichia's Korean
 18 patents have been invalidated. SSC sells its LEDs in Asia to back light unit manufacturers who
 19 are located outside the United States. They in turn sell their units to liquid crystal display
 20 manufacturers located outside the United States. The LCD manufacturers then sell their modules
 21 to cell phone manufacturers, also located outside the United States. Only then, some cell phones
 22 containing LEDs are imported into the United States. Inducement cannot occur under these
 23 circumstances. *See Microsoft Corp. v. AT&T Corp.*, 127 S.Ct. 1746, 1759 (2007) (“The general
 24 rule under United States patent law is that no infringement occurs when a patented product is
 25 made and sold in another country.”).

26 Moreover, Nichia's U.S. design patents are invalid. The designs lack
 27 ornamentalism because the claimed designs are primarily functional, not primarily ornamental.
 28 The underlying LEDs are so tiny that their ornamentalism is hidden in use and any decorative

1 aspects are not matter of concern. Finally, Nichia's patents-in-suit are anticipated and obvious
 2 extensions of Nichia's own prior art, and therefore invalid.

3 II. STATEMENT OF ALL RELIEF SOUGHT

4 A. Plaintiff's Statement of Relief Sought

- 5 • Plaintiff seeks a finding by the jury that Defendants have infringed the
 6 patents-in-suit.
- 7 • Plaintiff seeks a finding by the jury that Defendants have induced others to
 8 infringe the patents-in-suit.
- 9 • Plaintiff seeks a finding by the jury that Defendants have willfully
 10 infringed all the Patents-in-suit.
- 11 • Plaintiff seeks a finding by the jury that Defendants have not proved that
 12 the patents-in-suit are invalid.
- 13 • Plaintiff seeks an award of damages, measured either by a reasonable
 14 royalty or by Seoul's profits on infringing sales, along with prejudgment
 15 and post-judgment interest, an enhancement of damages for Defendants'
 16 willful infringement, attorney's fees, costs.
- 17 • Plaintiff seeks a permanent injunction preventing further direct and
 18 induced infringement by Defendants.

19 B. Defendants' Statement of Relief Sought

- 20 • Defendant seeks a finding by the jury that the four design patents-in-suit
 21 are invalid.
- 22 • Defendant seeks a jury finding of non-infringement.
- 23 • Defendants seeks a jury finding of no willful infringement.
- 24 • Defendant seeks a jury finding of no induced infringement.
- 25 • Defendant seeks a finding of unclean hands.

26 III. FACTUAL ISSUES REMAINING

27 Plaintiff and Defendants set forth the factual issues remaining and the stipulated
 28 facts below. Should any changes be made necessary based on the Court's Pre-Trial Order, the

1 Court's ruling on the August 10, 2007 Report and Recommendation of Magistrate Judge Spero,
 2 recommending the exclusion of Seoul's obviousness defense, the pending motions for summary
 3 judgment and claim construction and/or the rulings on motions *in limine*, the parties reserve the
 4 right to modify (add or withdraw) as appropriate:

5 **A. Factual Issues**

6 Does Seoul's 902 Series LED infringe the patents-in-suit?

- 7 • Do Seoul's 902 Series LEDs satisfy the Gorham "ordinary observer" test?
 8 • Do Seoul's 902 Series LEDs satisfy the Litton "point of novelty" test?

9 Did Seoul directly infringe the patents-in-suit by using, selling, importing or
 10 offering to sell the 902 Series LED in the United States?

11 Did Seoul actively and knowingly induce others to directly infringe the patents-
 12 in-suit after Seoul had actual knowledge of Nichia's design patents?

13 Are Nichia's design patents-in-suit invalid?

- 14 • Are Nichia's four design patents-in-suit invalid on grounds of "hidden in
 15 use?"
- 16 • Are Nichia's four design patents-in-suit invalid on grounds of
 17 functionality?
- 18 • Which features of Nichia's patents-in-suit are functional and which are
 19 ornamental?
- 20 • Did Nichia intend to create the designs embodied in its patents-in-suit for
 21 the purpose of ornamenting?
- 22 • Are Nichia's patents in suit invalid on grounds of obviousness?
- 23 • Are Nichia's '385 and '388 patents invalid because they are anticipated by
 24 the prior art?

25 Does Nichia have unclean hands because its attorneys orchestrated the purchase
 26 of Seoul's 902 Series LEDs in the Untied States during investigation of possible infringement?

27 Did Seoul willfully infringe the patents-in-suit?

- 28 • Did Seoul deliberately copy the design of Nichia's 335 LED?

- 1 • When Seoul learned of Nichia's U.S. patent protection, did Seoul meet its
- 2 duty of due care by investigating the scope of the patents-in-suit and
- 3 forming a good faith belief that they were invalid or not infringed?
- 4 • Did Seoul undertake any remedial action to avoid infringement?
- 5 • Did Seoul continue to infringe the patents-in-suit after they learned of
- 6 them?
- 7 • Did Seoul attempt to conceal their misconduct?

8 What measure of damages will compensate Nichia for the infringement?

- 9 • What is the volume of sales of 902 LEDs for which Seoul induced
- 10 infringement?
- 11 • What profits has Seoul realized from its alleged infringement of the
- 12 patents-in-suit?
- 13 • What reasonable royalty rate would the parties have agreed to in a
- 14 hypothetical negotiation?

15 B. **Stipulated Facts**

- 16 1. Plaintiff Nichia Corporation is a corporation organized under the
- 17 laws of Japan, having its principal place of business at 491 Oka,
- 18 Kaminaka-Cho, Anan-Shi, Tokushima Japan 774-8601. Nichia
- 19 Corporation is the assignee and owner of the patents-in-suit.
- 20 2. Defendant Seoul Semiconductor Co., Ltd. is a corporation
- 21 organized under the laws of Korea, having its principal place of
- 22 business at 148-29, Kasan-dong, Kumchun-gu, Seoul, Republic of
- 23 Korea.
- 24 3. Defendant Seoul Semiconductor, Inc., is a corporation organized
- 25 under the laws of California, having its principal place of business
- 26 at 5122 Katella Ave., Los Alamitos, California 90270.

- 1 4. The patents-in-suit are D490,784 (“the ‘784 patent”), D491,538
 2 (“the ‘538 patent”), D499,385 (“the ‘385 patent”) and D503,388
 3 (“the ‘388 patent”).
 4 5. The ‘784 patent issued on June 1, 2004.
 5 6. The ‘538 patent issued on June 15, 2004.
 6 7. The ‘385 patent issued on December 7, 2004.
 7 8. The ‘388 patent issued on March 29, 2005.
 8 9. Nichia first notified Seoul of potential infringement of the ‘538
 9 patent on March 5, 2005.
 10 10. Side-view LEDs are used to illuminate the screen in products such
 as mobile telephones, personal digital assistants (“PDAs”), and
 11 12. MP3 players.
 12 13. Nichia manufactures certain side-view LEDs known as the 335
 13 series LEDs.
 14 15. Nichia began selling the 335 LEDs in May, 2002.
 15 16. Seoul manufactures certain side-view LEDs known as the 902
 16 series LEDs.
 17 18. **IV. THE LEGAL ISSUES**

19 Nichia and Seoul state that there are no legal issues beyond those briefed in the
 20 pending motions for summary judgment and claim construction, the pending motion to exclude
 21 Woodring from testifying, the motions *in limine* that will be filed concurrently with this
 22 Statement and the jury instructions. If the Court desires an additional list of legal issues,
 23 including a statement of disputed points of law and supporting authority, the parties will provide
 24 it. Should any changes be made necessary based on the Court’s Pre-Trial Order, the pending
 25 motions, and/or the rulings on motions *in limine*, the parties reserve the right to modify (add or
 26 withdraw) as appropriate. The categories of legal issues are:

- 27 • Whether Seoul’s sales or offers of sale of 902 Series LEDs directly
 28 infringed the patents-in-suit.

- Whether Seoul actively induced infringement of the patents-in-suit.
 - Whether the four design patents-in-suit are valid.
 - Whether Seoul willfully infringed the patents-in-suit.
 - Nichia's entitlement to damages, measured by a reasonable royalty or Seoul's profits on infringing sales.
 - Seoul's affirmative defenses of unclean hands and *de minimis* sales.

V. CURRENT ESTIMATE OF LENGTH OF TRIAL

The parties believe that the trial of this matter will require 10 full trial days.

9 The parties have agreed to an official Korean/English interpreter, Ms. Park, and
10 two official Japanese/English interpreters, Ms. Watkins and Ms. Houston, for the trial.

VI. STATUS OF ALTERNATIVE DISPUTE RESOLUTION

The parties have been unable to resolve this matter despite a separate attempt at mediating the issues between them. The parties believe that any further attempts to resolve this matter through alternative dispute resolution would be unsuccessful. Magistrate Judge Zimmerman has ordered the CEOs of both parties to meet in person in Japan to discuss a business resolution of this litigation. This meeting is scheduled to take place on August 22, 2007. In addition, Magistrate Judge Zimmerman has scheduled a settlement conference for August 30, 2007.

VII. REQUEST FOR BIFURCATION

Seoul requests that the Court bifurcate the issues of validity from the issues of infringement and try the invalidity issues first. Nichia opposes this motion.

Respectfully submitted,

DATED: August 14, 2007

FOLEY & LARDNER LLP

/SA

KENNETH E. KROSIN
MICHAEL D. KAMINSKI
ATTORNEYS FOR PLAINTIFF NICHIA CORPORATION

1 BINGHAM MCCUTCHEN LLP
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